

SOUTHERN ILLINOIS UNIVERSITY  
**EDWARDSVILLE**

School of Business  
Economics & Finance Department  
Edwardsville, IL 62026-1102

October 11, 2010

Professor Jan Hanousek  
CERGE-EI, Charles University, Academy of Sciences  
Politických veznu 7  
P.O.Box 882, 111 21  
Prague, Czech Republic

Dear Prof. Hanousek,

Thank you for selecting me as the reviewer of the dissertation of Olga Aslanidi, which was written under supervision of Prof. Petr Zemcik. Below I summarize my evaluation of Olga's three papers that make up of her doctoral thesis.

In the first paper, a new daily data set is used to investigate the determinants and the effectiveness of intervention by the National Bank of Georgia (NBG) during 1996-2007. Employing daily central bank reaction functions and taking into account the possibility of structural breaks, it is found that NBG intervention is not effective in calming the foreign exchange market and also increases the market's conditional volatility.

The second paper investigates the determinants of dollarization using a money-in-utility-function model for Georgia for the period 1996-2007. As a proxy for dollarization, the ratio of real per capita sum of the foreign currency denominated personal accounts and demand deposits to the total (domestic and foreign) currency deposits is employed. Three models that stress the roles of inflation, the exchange rate, and the interest rate in explaining dollarization are estimated. It is found that the exchange rate model performs the best as a predictor of dollarization in Georgia.

The last paper is an extension of the second paper to many transition economies. A new data set is compiled to understand the significance of the household dollarization in the Czech Republic, Georgia, Croatia, Kazakhstan, Kyrgyzstan, Tajikistan, and Turkey. Again, households' optimal choice between foreign and domestic money is derived from optimality conditions of the money-in-utility-function model. The results suggest that currency substitution or dollarization is most significant in Croatia, Georgia, Kyrgyz republic, Tajikistan and Turkey, while it is not significant in the Czech Republic and Kazakhstan.

I believe that each paper studies an important issue with significant policy implications and is written clearly. The particular methodology used in each paper is appropriate and sound, and it is implemented competently. Review of related literature is thorough and the empirical results are explained carefully and clearly. Policy implications of the findings are also discussed. The papers are ready for submissions to relevant journals and publishable in top field journals.

As a result, I am confident to report that Olga's dissertation is ready for defense with an award of a doctorate title.

Please let me know if I can be of further assistance or you have any questions.

Regards,

Ali M. Kutan, Ph.D  
Graduate Program Director  
Editor, Emerging Markets Finance and Trade  
Co-Editor, Economic Systems  
Department of Economics and Finance  
Southern Illinois University Edwardsville  
Edwardsville, Illinois 62026-1102. USA  
[Email:akutan@siue.edu](mailto:akutan@siue.edu)  
Phone: (618) 650-3473; fax: (618) 650-3047  
Web: <http://www.siue.edu/business/econfin/facpages/Kutan.shtml>